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1. (U) Summary: U.S. Embassy Athens warmly welcomes CODEL Smith to Greece January 28-30. During your visit you will meet Prime Minister Karamanlis, Foreign Minister Bakoyannis, and most likely Opposition Leader (and former Foreign Minister) Papandreou. All three are impressive leaders, each current heads of family political dynasties and friends of the United States. You will see an Athens transformed for the better by the 2004 Olympic Games. Greece is less idiosyncratic politically than in the past and more internationally involved. Relations with Ankara, while not trouble-free, are better than in the 1990's, and Greece is one of the most steadfast advocates of eventual full EU membership for Turkey.

2. (U) National elections are likely in 2007 and the virtual campaign is underway. The polls consistently indicate that New Democracy, the Prime Minister's center-right party, is likely to win another 4 years in government. The economy is performing well, aided by good growth in the region (Bulgaria, Romania and the Balkans) and Greece's adoption of the euro in 2002.

3. (U) In your meetings, you can especially help us by:

-- Stressing the need for Greece to do more in Afghanistan, particularly outside of Kabul (para. 10);

-- Urging Greece to use its substantial influence in Belgrade to convince the Serbs to come to terms with final status for Kosovo (para. 11);

-- Pressing the Greek Government to spare no effort to apprehend and convict those responsible for the January 12 RPG attack on the Embassy (para 8); and,

-- Emphasizing the strategic importance of completion of "southern tier" route for Caspian gas to reach European markets free of Gazprom control (para. 12).

4. (U) What follows for reference is background on these issues and others you may encounter during meetings with Greek officials. We wish you a pleasant and productive visit in Athens. Embassy personnel and resources are at your disposal to ensure your trip is successful. End Summary.

GoG POLITICAL PERSONALITIES

5. (SBU) Prime Minister Konstandinos (Kostas) KARAMANLIS: Karamanlis is a U.S.-educated (Tufts University) centrist politician who brought his conservative New Democracy (ND) party back to power in a resounding general elections victory in March 2004, after a decade of opposition. He generally has taken a moderate, flexible approach on a host of foreign policy and security issues and has been strongly supportive of the U.S. war on terrorism. Karamanlis is the nephew and namesake of the founder of ND, a former President and Prime Minister.

6. (SBU) Foreign Minister Theodora (Dora) BAKOYIANNIS: Bakoyianni, the former mayor of Athens, became foreign minister during a February 2006 cabinet reshuffle. Her first husband Pavlos Bakoyiannis was murdered by 17 November terrorists in 1989, and she consequently has a strong interest and credibility in CT issues. As Mayor of Athens during the 2004 Olympics, Bakoyianni also can take some credit for the security success. She is the eldest daughter of former Prime Minister Konstandinos Mitsotakis and was one of his closest advisers during his 1990-1993 term in office. She aspires to be Prime Minister herself one day. She is engaging, charismatic, energetic, and an effective speaker. Mrs. Bakoyannis studied political science and public law at the University of Athens and politics and communication in Munich, Germany. She is fluent in English, French, and German.

7. (SBU) PASOK Opposition leader Yeoryios (George) PAPANDREOU: George Papandreou is the son of PASOK founder, Andreas Papandreou. He is a U.S.- and UK-trained sociologist with a background in conflict resolution. As Foreign Minister under the PASOK-led Konstandinos Simitis government, Papandreou was widely viewed as the architect for Greece's rapprochement policy with Turkey. He lost to Karamanlis in the 2004 elections. Although he is the PASOK party leader, his generally non-dogmatic, low-key approach and Atlanticist leanings have put him at odds with party rivals. He is the current leader of the Socialist International.

ISSUES TO RAISE

8. (SBU) RECENT ATTACK AGAINST EMBASSY ATHENS: A rocket-propelled grenade was fired at the U.S. Embassy on January 12, 2007, striking just above the prominently displayed Embassy seal. A minimum amount of damage resulted and there were no casualties. Cooperation with the GoG in the investigation has been excellent. We do not have any indications that our personnel or official visitors are at a heightened risk, and strongly encourage the proposed visit of CODEL Smith to continue as planned. Your visit will be a visible demonstration of our determination to continue bilateral counter-terrorism efforts, and closely cooperate with the Greek police and intelligence services in finding the perpetrators. It will also help to show that the incident will not damage our bilateral relations. (See background section on domestic terrorism for additional information, para. 27-29.)

9. (SBU) IRAN: Greece has been supportive of the international community's efforts to thwart Iran's nuclear ambitions. The GoG, as well as PASOK opposition leader Papandreou, repeatedly delivered a strong message to the Government of Iran to accept the P 5 + 1 package of incentives. Greece joined other Security Council members in unanimously supporting UNSCR 1737. We are now pressing the GoG to advocate additional EU trade and financial additional sanctions.

10. (SBU) AFGHANISTAN: Greece sustained its participation in the International Security Assistance Force (ISAF) in 2006 by continuing to provide a unit from the Greek Corps of Engineers (120 troops) and a NATO medical unit (50 troops) for operations in Kabul. From October

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2005, until April 2006, Greece had the lead for security at Kabul International Airport. Despite these welcomed contributions, the GoG should be encouraged to remove its caveats in order to allow its troops to operate outside Kabul as necessary and to consider sending additional troops and civilians for incorporation into Provincial Reconstruction Teams. The informal NATO ministerial on January 26 will provide a more comprehensive survey of Alliance - and Greek - commitments.

11. (SBU) KOSOVO: The status of Kosovo is another pressing concern. Kosovar Albanians desire independence from Serbia, while Serbia insists on granting limited autonomy to Kosovo. A Kosovo Contact Group (the U.S., France, Germany, Italy, Russia, and the UK), led by UN Special Envoy Martti Ahtisaari, was established to broker agreements between Serbia and Kosovo that would seek to solidify a multi-ethnic Kosovo. Contact Group ministers agreed in January 2006 that every effort should be made to achieve a negotiated solution to the Kosovo impasse that year. In contrast, the GoG argued that a solution must not be the product of the imposition of views or restricting timeframes, citing the intense political pressures confronting the nascent Serbian government. Ultimately, Ahtisaari decided to postpone his announcement on recommendations for Kosovo's final status until after Serbia's January 21, 2007 elections. We hope for negotiations between Belgrade and Pristina to continue after Serb elections, per Ahtisaari's intentions, and to wrap-up final status within the next month or two. Throughout the course of the final status talks, Greece has been well positioned to deliver Belgrade tough messages, given its historical and religious ties to Belgrade. We encourage the GoG to support Ahtisaari's recommendations, most notably, the possibility of Kosovo independence.

12. (SBU) ENERGY POLICY: Greece is currently finishing construction on a natural gas interconnector with Turkey, and proceeding with its extension across Greece to Italy. When completed, this 8.5-bcm southern pipeline, if sourced by Azerbaijan's Shah Deniz field, would be the first non-Russian controlled route for Caspian natural gas to reach Western Europe. This development has not escaped the notice of the Russian Government. As a result, Greece found itself in 2006 in the cross hairs of an intense Gazprom-led effort to lock up the Italy-Greece pipeline with a long-term contract exclusively for Russian natural gas, blocking out the Azeri gas from Western Europe. Although Greece relies on natural gas for less than 5 percent of its domestic energy needs, 80 percent of the gas now comes from Gazprom in a contract set to expire in 2016, making the country reliant on continued Russian goodwill in the short-medium term. The Embassy, with support from Washington agencies, has been actively promoting with Greece the need to contribute to increased European energy security and diversification. It will be useful for you to reinforce U.S. appreciation for Greece's courage in standing up to Russian pressure on gas issues.

13. (SBU) GREECE-TURKEY: As is the case in many EU member states, public opinion in Greece has not yet embraced Turkey in the EU. The government remains supportive of the process, understanding that over the longer term a Turkey in the EU is in Greece's strategic interest.

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Turkey's failure to implement the Ankara Protocol, however, proved a stumbling block last December. (Note: The Protocol to the Ankara Agreement commits Turkey to open its ports to Cypriot vessels and goods. Turkey agreed to sign the Protocol in 2004 when it secured the opening of EU accession negotiations, and did so in 2005. The EU subsequently set an end-2006 political deadline for implementation, which Turkey did not meet. End note.) In December 2006, the EU suspended negotiations on select chapters while keeping the overall process underway. While we recognize that the Cyprus issue remains a highly sensitive subject in Greece, we continue to encourage the GoG to use its influence with Cyprus to promote creative compromises that would render it easier for Turkey to implement the Protocol in the future.

14. (SBU) GREECE-CYPRUS: The Cyprus issue has been stymied since the Greek Cypriots rejected UNSYG Annan's plan to reunify the island in the April 2004 referendum (Turkish-Cypriots accepted the Plan in the same referendum). While Athens quietly backed the Annan Plan, the Greek Government also felt it should stand by the Government of Cyprus and the vote of the Greek Cypriots. On the island, the Turkish Cypriots seek to break out of their economic isolation, while the Greek Cypriot Government has been quick to oppose direct trade or transportation links which could imply recognition of the "Turkish Republic of Northern Cyprus." A perceived breakthrough to this impasse occurred during UN Deputy Secretary General Ibrahim Gambari's early July 2006 "pulse-taking" mission to Ankara, Athens, and Nicosia. Gambari was able to broker an agreement to kick-start previously moribund technical talks, which were intended to focus on every day and substantive issues as well as confidence building measures. There has been little progress to date, however, as discussions remain stalled due to disagreements over modalities in the Gambari agreement. The GoG should be encouraged to recognize that now is the time to re-focus on a Cyprus solution dialogue.

ISSUES THE GREEKS MAY RAISE WITH YOU

15. (SBU) VISA WAIVER PROGRAM: Greece is the only one of the original EU 15 not participating in our Visa Waiver Program (VWP). The Attorney General approved Greece for inclusion in the VWP in May 1999, subject to Greece's completing reforms of its passport security and accountability procedures. However, Greece failed to meet the deadline for inclusion in the program, and no new countries have been admitted since 9/11. Greece introduced a new biometric passport that meets all ICAO standards, and went further to invalidate the previously issued passports. State and DHS have taken the first steps to evaluate Greece's candidacy for the VWP. Unlike Poland, Czech Republic, and other Central European countries, however, Greece fully meets the "economic/immigration" criteria, with low visa refusal and overstay rates. Inclusion in the VWP would give a significant boost to the U.S. image in Greece and to our bilateral relations. The exclusion from VWP is perhaps the largest irritant in our bilateral relationship, and interlocutors will raise it in their meetings with you.

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16. (SBU) MACEDONIA: The Macedonia name issue is a sensitive political issue in Greece that officials may raise in their meetings with you. Following the breakup of Yugoslavia in 1995, Greece and Macedonia agreed on "Former Yugoslav Republic of Macedonia" as an interim name until the two countries could decide on a mutually acceptable solution. Greeks consider the unmodified use of "Macedonia" an improper adoption of Macedonia's illustrious Hellenistic history that could encourage irredentism towards Greece's province of the same name. In this context, the USG decision in 2004 to recognize the Republic of Macedonia by its constitutional name in bilateral relations touched off a storm of controversy in Greece. Many Greeks saw our decision as a deliberate snub and the explanation that we took this action to help defeat a referendum in Macedonia that could have split the country and de-stabilized the Balkans did not convince many here. To Greeks, Macedonia's recent declaration to rename Skopje airport the "Alexander the Great" airport is seen as a further illustration of Skopje's desire to appropriate all the ancient Hellenistic empire's symbols, and further complicates efforts to find a mutually agreeable solution through the ongoing UN mediation. It is our intention to avoid direct involvement in this dispute, while supporting the work of UN Special Envoy Matthew Nimetz.

17. (SBU) DETAINEE FLIGHTS: GoG interlocutors may raise this sensitive issue in their meetings with you. On September 7, 2006, the day after President Bush confirmed the existence of covert prisons for suspected terrorists, the GoG announced that it had taken no part in the secret transfer of terrorist suspects by the U.S. Although our policy is to refrain from comment on this issue, we have noted that the war on terror sometimes involves the capture, detention, and questioning of terrorists. The U.S. does not transport, and has not transported, detainees from one country to another for the purpose of interrogation using torture, nor has the U.S. used the airspace or the airports of any country for the purpose of transporting a detainee to a country where he or she will be tortured. In conducting renditions, this administration has respected and will continue to respect the sovereignty of other countries. Our allies have benefited from the intelligence that we have obtained from these detainees and shared with them. It has saved the lives of innocent civilians and protected coalition forces.

18. (SBU) CYPRUS ARMS: Sometime in the 1990s, Greece transferred U.S.-origin military hardware (primarily howitzers and tanks) to Cyprus. Doing so without prior U.S. authorization violated section 602 of the Arms Export Control Act (AECA) and, for the equipment transferred after 1987, section 3(c) of the Foreign Assistance Act (FAA) (which prohibits the transfer to the Island of Cyprus of any U.S.-origin equipment received after 1987 that could be used in the further division of the island). In September 2004, the violations were reported to Congress, which has resulted in transfers of U.S.-origin equipment to Greece, including artillery from Germany and replacement missiles for the MLRS system, being blocked or delayed pending resolution of the issue. In December 2005, Greek Chief of Defense (CHOD) Chinofotis put forward a proposal to keep the U.S.-origin equipment in storage on the island under a Greek-only command structure. In November 2006, the U.S.

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responded positively to Chinofotis' proposal. The Embassy is working with the Greek military to ensure that implementation of the plan meets all U.S. legal requirements.

19. (U) **TRAFFICKING IN PERSONS:** The congressionally mandated TIP report has been the key tool in getting Greek government attention on this issue. The report ranks countries by tier based upon their level of success in combating human trafficking. Greece was recently removed from the Tier 2 Watchlist, a designation for problem countries, and elevated to Tier Two based upon its recent progress. However, Greece can do more in some major areas, including treating trafficked women as victims (not criminals), more vigorously prosecuting traffickers, combating alleged corruption related to the visa issuance process, and keeping statistics on TIP-related convictions. Greece and Albania concluded a Child Repatriation Agreement, pending ratification by the Greek Parliament.

20. (U) **IRAQ:** The PM pledged during his 2004 election campaign not to send troops. However, Greece continues to provide funding for the NATO training mission in Iraq and provides equipment and supplies.

21. (U) **LEBANON:** Greece provided free transport for member-state humanitarian aid from the Port of Larnaca, Cyprus, to Lebanon; transported thousands of people from the conflict region to Europe; and committed two naval vessels and a military divers unit to participate in UNIFIL peacekeeping operations.

22. (U) **TERRORISM FINANCING:** Greece has been helpful, but its ability to detect terrorist money, or money laundering in general, is limited. In particular, some smaller banks outside of Athens are still not computerized, making the tracking of money flows difficult.

23. (U) **NORTH KOREA:** Greece echoes USG condemnation of North Korea's July and October missile launches and North Korea's unwillingness to heed calls for restraint from the international community. We are grateful to Greece for joining the U.S. and other UNSC members in unanimously supporting UNSCR 1718 that imposed sanctions against North Korea.

24. (U) **FOREIGN MILITARY SALES:** Greece is one of the largest purchasers of U.S. military equipment. The Greek Government purchased 30 F-16 fighter jets in 2005/2006, which will bring its total F-16 fleet to 170. On July 25, the GoG announced plans to spend an estimated EUR 27 billion for arms procurement over the next decade. The first five-year leg of the program does not include appropriations for additional fighter aircraft in an apparent effort by the Karamanlis administration to relieve political pressures and take some of the strain off the budget, at least temporarily. The postponement may actually favor the US-built Joint Strike Fighter over the Eurofighter Typhoon. The GoG is under heavy political pressure to "buy European" in its next purchase of fighters, however.

25. (SBU) **AEGEAN AIR/SEASPACE DEMARCATION:** Unresolved issues remain between Greece and Turkey over Aegean air/seaspace demarcation, with

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Greece often complaining of alleged Turkish air incursions in the Aegean. During 2004, 500 mock dog fights attributed to the demarcation disputes were registered between the two countries. This number was reduced to 150 by 2006, which gives cause for guarded optimism. Tensions again rose in May 2006, however, when a Turkish F-16 collided in international airspace with a Greek F-16, although the two governments quickly brought the situation under control and successfully averted a potentially explosive incident.

----- BACKGROUND -----

26. (SBU) ECONOMICS AND ENERGY: The Karamanlis government has pursued an economic policy of fiscal austerity and growth. It inherited a high budget deficit that reached 6.9 percent of GDP in 2004 and led to the EU putting Greece under the Excessive Deficit Program. Fiscal policies instituted by PM Karamanlis have brought the deficit down to an estimated 2.6 percent of GDP for 2006. The government's efforts have been received positively in Brussels, which is likely to remove Greece from the Excessive Deficit Program in 2007. With a strong GDP growth of 4.1 percent for 2006, and estimates for 2007 as high as 3.9 percent, the GoG has also met the second of its goals.

27. (SBU) Although the government has made strong progress, a second term for a ND government would pose new economic challenges. Rising health care and pension costs, which are expected to exceed proportionately those of any other EU member, are already putting a strain on the budget. The national proclivity for demonstrations to protest government policy will make pension reform even more difficult. While Greek exports improved in 2005 over previous years, Greece's current account deficit, plagued by declining competitiveness, continues to grow, and a strengthening euro makes matters worse. Relatively high Greek inflation is also not helping: Consumer price inflation rose by 3.5 percent in 2005, well above the 2.1 percent European average, and is expected to come in at 2.9 percent in 2006. The government must also confront the task of making Greece's economy more competitive by privatizing inefficient state industries, while attracting foreign investment by a concerted effort to reduce bureaucracy and corruption. Unemployment currently hovers around 9.6 percent, down slightly from a high of 11 percent in 2005.

28. (SBU) DOMESTIC TERRORISM: We continue to be concerned about domestic terrorism in Greece. Greece made big strides by convicting in 2003 key members of the infamous 17 November terrorist group, responsible for killing many Greeks and five Embassy employees (4 Americans and 1 Greek) over the course of its bloody, 25-year history. The same is true regarding prosecution of members of another domestic terrorist group, Peoples' Revolutionary Struggle (ELA), which, from 1983 to 1984, had bombed nightclubs frequented by U.S. servicemen. We are concerned, however, that the still unresolved December 2004 assassination of a Greek police officer guarding the residence of the British defense attaché may represent the emergence of a follow-on terrorist group. We have also been concerned by the early release of

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three convicted 17N members as well as three ELA members sentenced to long prison terms, believing this sends the wrong signal about Greece's commitment to the war on terrorism. On May 30, 2006, a terrorist cell calling itself "Revolutionary Struggle" attempted unsuccessfully to ambush the vehicle of Culture Minister George Voulgarakis with a bomb.

29. (SBU) The latest domestic terrorist incident, this time directed at the U.S. Embassy, occurred on January 12, 2007. A rocket-propelled grenade was fired at the Embassy and hit the front of the Chancery, striking just above the prominently displayed Embassy seal. A minimum amount of damage was centered on a portion of the Ambassador's office suite. There were no casualties. The Department of State and FBI are working closely with the Hellenic Police to identify the attackers. Based on the timing of this incident (5:55 a.m.), we believe that the attack was designed to make a political statement. U.S. and Greek investigators have collaborated well in examination of all evidence. We are fully satisfied with the government's condemnation of the attack and its determination to catch the perpetrators.

30. (SBU) ANARCHISTIS: More needs to be done to crack down on anarchists who use homemade bombs to attack targets like bank ATMs, Western automobile dealerships, and a Finnish diplomat's personal vehicle. Anarchist attacks increased dramatically in 2005 and 2006. Despite these increases in anarchist activity, police have made some inroads against the anarchists. Minister of Public Order, Vyrion Polydoros, assumed his position on February 15, 2006, amid promises to eliminate safe havens for anarchists at universities; to arrest and stop gas canister "firebomb" attacks; to arrest, prosecute, and harass anarchists; and to make them aware and nervous that the police are on top of their activities. Police have increased their presence at rallies and protests where violence was anticipated. Because the anarchists have responded in kind, escalating their presence at rallies and the degree and frequency of brazen activity, the GoG should be encouraged to continue their efforts to confront the anarchist threat.

31. (SBU) PUBLIC OPINION: While anti-Americanism exists in a general sense, it is largely directed at American policies, and almost never translates into harsh treatment of Americans as individuals. It reflects grievances over our perceived historical favoritism toward Turkey, American support for the 1967-1974 Greek military junta, the situation in Cyprus, our actions in Iraq, and, most recently, USG policy to recognize Macedonia by its constitutional name. Polls show weak public support for key U.S. policy initiatives, and greater hostility toward U.S. policy than in any other EU country. Some 93 percent of Greeks oppose the war in Iraq while a large majority (80 percent) believes that the U.S. plays a negative role in the global war on terrorism. Some media outlets reinforce these prejudices, broadcasting violent images from Iraq and playing up any perceived slight against Greek interests by the United States. In this context, it is worth noting that per capita, Greeks make up the largest percentage of foreign students in the U.S. of any EU country. This means that many Greek elites actually have an informed and nuanced view gained from years in the U.S. or from working closely with Americans in business or multilateral institutions.

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SCENESETTER FOR CODEL SMITH

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Cons:	ASides	ok
DAO:	TCochran	ok
ODC:	SBoukedes	ok
Econ:	ASchroeder	ok
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